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Global Agricultural Information Network

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Thailand

Poultry and Products Annual

2012

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Report Highlights:

Unlike 2010 and 2011, the Thai broiler industry is encountering pressure from a significant reduction in prices for products across the board as well as higher production costs derived from escalating world prices for main feed ingredients, i.e. soybean meal and corn. A decline in prices for live broiler and chicken meat in 2012 is attributed to a supply glut derived from increasing broiler production. Broiler production in 2013 is forecast to drop 6 percent, in contrast to a high growth of 15 percent in 2012.

Executive Summary:

Thailand's broiler meat production in 2012 is estimated to grow sharply by 15 percent to 1.55 MMT from 1.35 MMT. Meanwhile, the Thai broiler industry is encountering pressure from a significant reduction in prices for products across the board as well as higher production costs derived from escalating world prices for main feed ingredients, i.e. soybean meal and corn. Consequently, most of the Thai broiler processors are likely to scale down their broiler meat production in the last quarter of 2012 and most of 2013. This will likely reduce broiler meat production by 6 percent to 1.45 MMT in 2013.

Skyrocketing prices for feed ingredients have severely affected production costs among broiler integrators in the second half of 2012. However, the impact of higher feed prices was offset sharply by reduced chick prices for the first half of 2012. As a result, average live broiler production costs in the first 7 months (Jan-July) in 2012 mirrored those during the same period of 2011. Integrated broiler processors are worried that the drought in the U.S. may further push feed prices higher for the remainder of 2012.

Domestic consumption of broiler meat continues to grow primarily because quick service restaurants (QSR) and ready-to-eat markets have expanded and chicken meat is less expensive than other meats.

Thailand's broiler meat exports are estimated to grow 15 percent to 540,000 metric tons in 2012 and grow another 7 percent in 2013 mainly because the EU and several other countries lifted their bans on imported Thai uncooked chicken meat products. A supply glut in 2012 forced Thai packers to reduce their export prices, especially in the EU market.

Table 1: Production, Supply and Demand for Broiler Meat in Thailand

Poultry, Meat, Broiler Thailand	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	0	0	0	0		0
Slaughter (Reference)	0	0	0	0		0
Beginning Stocks	32	32	52	52		133
Production	1,350	1,350	1,420	1,550		1,450
Total Imports	1	1	1	1		1
Total Supply	1,383	1,383	1,473	1,603		1,584
Total Exports	467	467	500	540		580
Human Consumption	854	854	891	920		950
Other Use, Losses	10	10	10	10		10
Total Dom. Consumption	864	864	901	930		960
Total Use	1,331	1,331	1,401	1,470		1,540
Ending Stocks	52	52	72	133		44
Total Distribution	1,383	1,383	1,473	1,603		1,584
CY Imp. from U.S.	0		0			
CY Exp. to U.S.	0		0			
Balance	0	0	0	0		0
Inventory Balance	20	20	20	81		-89
Production Change	5	5	5	15		-6
Import Change	0	0	0	0		0
Export Change	8	8	7	16		7
Consumption Change	3	3	4	8		3
Imports Percent Consumption	0	0	0	0		0
Exports Percent Production	35	35	35	35		40
Population	67,521,452	66,720,153	67,940,140	67,091,089		67,448,120
Per Capita Consumption	13		13			
TS=TD		0		0		0

Production

Production Trend

The ongoing expansion of broiler production capacity in 2011 and early 2012 as well as fewer incidents of disease-caused damages have led to an increase in broiler meat production. In 2012, broiler meat production is estimated to grow sharply by 15 percent to 1.55 MMT from 1.35 MMT.

While nearly all 24 chick producers (both integrated broiler producers and independent chick producers) expanded their chick production in the past couple of years, trade sources point out that the Saha Farm Group is the most aggressive integrated broiler producer in Thailand. The Saha Group has more than doubled its chick production from 2.5 million birds/week in early 2011 to 5.4 million birds/week. In the meantime, each of the other top five integrated operations, including Charoen Pokphand Group, Betagro Group, Sunvalley, GFPT, and Laemthong, have increased their chick production by 300,000-500,000 birds/week respectively.

The Thai broiler industry is encountering pressure from a significant reduction in prices for products across the board as well as higher production costs derived from escalating world prices for main feed ingredients, i.e. soybean meal and corn. It is anticipated that most of the broiler processors will scale

down their broiler meat production in the last quarter of 2012 and most of 2013. As a result, broiler meat production in 2013 is forecast to decline by 6 percent to 1.45 MMT.

Trade sources estimate that total chick production capacity in Thailand increased from 23-25 million birds per week in 2011 to 27-28 million birds in 2012. Actual chick production was about 22 million birds/week in 2011, increasing to 24-25 million in early 2012, and is currently at 26 million birds/week. Integrated chicken producers have not only expanded their poultry and breeding facilities, but also enlarged their processing facilities. The current processing capacity of the Thai chicken industry totals 3.85 million birds/day, up from 3.10 million birds/day in 2011. Integrated farms have invested in improving fully cooked meat processing facilities to meet the demands of the sophisticated markets in Japan and the EU for cooked broiler meat.

The Thai broiler industry has improved farming systems to mitigate animal health and food safety challenges such as the Highly Pathogenic Avian Influenza (HPAI). In 2004, a HPAI outbreak caused considerable damage to the Thai broiler industry. Today, all integrated producers are implementing strict bio-security measures from the farm to the processing level. Nearly all broiler houses of integrated producers are equipped with evaporative cooling systems which reduce disease exposure and mortality rates. These cooling systems have been instrumental in preventing HPAI incidents.

Production Costs

Skyrocketing prices for feed ingredients in recent months have severely affected production costs among broiler integrators. For example, prices for soybean meal escalated by 50 percent from 14 baht/kg in January 2012 to 21 baht/kg in August while corn prices jumped by 33 percent during the same period from about 10 baht/kg to 11-12 baht/kg. Integrated broiler processors are worried that a drought in the U.S. may further push feed prices upward for the remainder of 2012.

Despite higher feed prices, the cost of chicks in 2012 dropped significantly from an average of 16-18 baht/bird in 2011 to 6-13 baht/bird in 2012 because of a supply glut. It is rumored that lower chick prices have encouraged some integrators to reduce their own chick production and increase the purchase of chicks from independent chick producers.

Average live broiler production costs in the first 7 months (Jan-July) of 2012 were 36-38 baht/kg which are similar to those in the same period of 2011. Average prices for live broiler, however, dropped sharply by 28 percent from average 48.77 baht/kg in 2011 (Jan-Jul) to 34.90 baht/kg in the same period of 2012. Broiler producers are likely to face increased losses for the remainder of the year due to soaring feed prices.

It is too early to estimate live broiler production costs for 2013. However, due to an expected decrease in broiler production, the Thai broiler industry is anticipated to become profitable again.

Table 2: Wholesale Prices for Feed Ingredients

Month	Corn 1/			Soybean Meal 2/			Fishmeal 3/		
	2011	2012	%Δ	2011	2012	%Δ	2011	2012	%Δ
January	9.46	10.14	+ 7.2	13.88	14.12	+ 1.7	25.00	27.64	+ 10.6
February	9.57	10.19	+ 6.5	14.15	15.13	+ 6.9	28.91	28.81	- (0.3)
March	10.01	10.35	+ 3.4	13.46	15.75	+ 17.0	37.98	32.21	- (15.2)
April	10.65	10.51	- (1.3)	12.80	16.06	+ 25.5	31.77	33.24	+ 4.6
May	10.49	10.24	- (2.4)	12.59	16.23	+ 28.9	32.09	30.26	- (5.7)
June	9.68	10.76	+ 11.2	11.60	16.98	+ 46.4	31.29	29.38	- (6.1)
July	9.18	10.86	+ 18.3	13.50	19.00	+ 40.7	32.32	34.70	+ 7.4
August	9.04			14.33			32.58		
September	9.08			14.45			31.42		
October	9.45			14.32			28.86		
November	9.82			14.39			28.46		
December	9.92			13.44			27.50		
Average	9.70	10.44		13.58	13.14		30.68	30.89	
1/ Bangkok wholesale prices for corn at feedmill									
2/ Bangkok wholesale prices for soybean meal derived from imported soybean									
3/ Bangkok wholesale prices for fishmeal									
Source: Thai Feed Mill Association									

Consumption

In 2012, domestic consumption is estimated to grow 8 percent over the 2011 level due to lower retail prices for chicken meat and ongoing expansion of QSR and ready-to-eat markets in Bangkok and other main cities. Average retail prices for chicken boneless breast meat in Bangkok in 2012 (Jan-Aug) decreased by 18 percent to 71.40 baht/kg (\$1.03/pound) compared to the same period in 2011.

Anticipated higher chicken meat prices will limit the growth of domestic consumption in 2013 to only 3 percent. However, per capita consumption of chicken meat intake should continue to grow from 13.7 kg/person/year in 2012 to 14.1 kg/person/year in 2013. In addition, an increase in domestic consumption should be partly attributed to efforts that promote new ready-to-eat chicken menus in the domestic market by quick service restaurants (QSR) and food processors. This ready-to-eat market should grow 10-15 percent annually in the next five years.

Table 3: Bangkok Wholesale Live Broiler Prices and Retail Chicken Meat Prices

Month	Wholesale Live Broiler (baht/kg) ^{1/}			Retail Chicken Meat (baht/kg) ^{2/}		
	2011	2012	% Change	2011	2012	% Change
January	45.24	36.20	-19.98	77.95	82.00	5.20
February	47.28	34.70	-26.61	80.05	74.40	-7.06
March	48.30	27.53	-43.00	84.00	67.98	-19.07
April	52.10	33.13	-36.41	90.85	65.15	-28.29
May	54.60	39.33	-27.97	97.50	62.50	-35.90
June	50.25	38.22	-23.94	96.05	71.00	-26.08
July	43.60	35.20	-19.27	88.03	75.68	-14.03
August	42.20			82.95	72.50	-12.60
September	41.74			82.50		
October	38.58			82.50		
November	37.67			82.50		
December	36.90			82.50		
Average	44.87	34.90		85.62	71.40	
Source: ^{1/} Thai Feed Mill Association						
^{2/} Department of Internal Trade, Ministry of Commerce						

Trade

Export Trend

In the first half of 2012, chicken meat exports (both cooked and uncooked) increased significantly by 21 percent to 263,184 metric tons compared to the same period in 2011. The value of exports also grew by 18 percent. Trade sources reported that export prices for Thai chicken meat across the board declined.

Poultry meat exports for the first half of 2012 totaled 222,250 metric tons. Cooked chicken meat products accounted for 84 percent of exports, an increase of 11 percent from the same period in 2011.

Uncooked chicken exports totaled 40,934 metric tons or 16 percent of all exports; more than double the previous year. This trend indicates that Thailand is on its way to reclaiming its status as a major supplier of uncooked broiler, particularly since several countries lifted their bans on imported uncooked chicken products from Thailand.

By destination, exports (in quantity) to the EU, Japan and others all increased in the first half of 2012. Exports to the EU grew 7 percent, Japan 14 percent, and others 79 percent. The rapid growth in exports to other countries besides the EU and Japan, indicate that Thailand has successfully diversified its export markets.

Based on the export performance of the first half of 2012 and the fact that the EU lifted its ban on Thai uncooked broiler meat as of July 2012, total chicken meat exports are expected to reach 540,000 metric tons, up 15 percent from the 2011 level. Thailand is expected to export 40,000-50,000 metric tons of uncooked products to the EU in the second half of 2012, thus, increasing total exports of uncooked products to 100,000-110,000 metric tons. The remaining exports (430,000-440,000 metric tons) consist of cooked products.

Despite the outlook of a decline in broiler meat production in 2013, Thailand's broiler meat exports should grow another 7 percent to 580,000 metric tons. Most of the growth is expected to take place in markets other than the EU and Japan, including ASEAN countries, Hong Kong, South Korea, UAE, and South Africa. The EU and Japan, however, will remain Thailand's major markets accounting for about 75-80 percent of total exports. Thailand could dramatically increase its exports of uncooked chicken meat if Japan and South Korea lift their bans on the import of uncooked Thai broiler meat. Countries that have already lifted their HPAI bans on Thai uncooked frozen chicken meat include the EU, Hong Kong, South Africa, Bahrain, and Russia.

Export Prices and Products

Trade sources reported that overall export prices for nearly all cooked chicken products appeared to decline in 2012 mainly because of accumulating stocks in Thailand as well as an economic turmoil in the EU that has led to sluggish demand for Thai chicken meat.

Export prices for steamed dice-shape-cut skinless boneless breast (SBB), a major item exported to the EU, reportedly dropped from \$5,000-5,100/metric ton CIF in mid 2011 to \$4,200-4,300/metric ton CIF. On the other hand, export prices for fried cut boneless leg, one of the basic cooked products for the Japanese market, remained strong, ranging from \$4,800-5,200/metric ton CIF. Typical export prices for uncooked boneless breast meat shipped to the EU is currently about \$2,800/metric ton CIF.

The bulk of the chicken products used for exports consist of made-to-order products that are processed or prepared by heat (such as grilling, steaming, and boiling) and are usually puffed or seasoned (with salt, Japanese sauce, etc.).

The EU Quota Administration

Since the EU lifted its ban of Thai uncooked broiler meat, Thailand gained about 92,610 metric tons of the EU's quota for uncooked salted poultry meat and 5,100 metric tons for uncooked unsalted poultry meat. The in-quota tariff rate is 15.4 percent while the out-of-quota rate will be 1,300 €/ton (GAIN Report [TH2043](#)).

The EU quota for cooked chicken meat from Thailand (EU HS code 16023219) is 160,033 metric tons, out of a total quota of 250,953 metric tons. In-quota imports from Thailand are subject to an 8 percent tariff. The out-of-quota rate for cooked chicken meat is 1,024 €/ton. Since 2008, Thailand has used all of its cooked chicken meat quota.

Thailand's request to the EU to increase the prevailing quota for cooked chicken meat products is still pending. Nonetheless, Thai exporters have wisely found a way to also export chicken meat products that are not subject to the EU tariff-rate-quota regime. For example, cooked chicken products that contain 57 percent chicken meat or less are subject to a tariff of 10.9 percent which is much lower than the out-of-quota rate of 1,024 €/ton. Thai exports of this chicken category are expected to reach 30,000 metric tons in 2012.

In 2009, the EU announced its intention to raise tariff rates on additional 8 poultry meat products including uncooked chicken meat products containing more than 57 percent chicken meat, cooked chicken meat products containing 25-57 percent chicken meat, and cooked chicken meat products containing less than 25 percent chicken meat. In response to this initiative, the Thai Department of Trade Negotiations in the Ministry of Commerce requested that instead of raising tariff rates, the EU should set an import quota for these products. Trade sources stated that the EU is likely to adopt the suggested quota system for these products by the end of 2012.

Thailand is moving forward to negotiate a Free Trade Area with the EU. However, the negotiation is still in the beginning stages. It is anticipated that Thailand will raise the issue of broiler meat exports to the EU as a subject in negotiating agricultural market access.

Stocks:

Thailand is accumulating higher stocks due to its supply glut from increased production. Year-end carryover stocks of broiler meat are forecast to increase from the estimated 52,000 metric tons in 2011 to 133,000 metric tons in 2012. Stocks are likely to fall to 44,000 metric tons in 2013.

Policy:

Thailand's poultry industry policy has not changed from the last report. Thailand does not have price supports or export subsidy programs for poultry. After the HPAI outbreak in 2004, the Royal Thai Government (RTG) launched several measures to support the poultry industry, including HPAI Stamping-Out Campaign on poultry farms/areas and a compensation scheme for disease-affected farmers. There have been no cases of HPAI in Thailand for more than 3 years (OIE standards for being free of HPAI).

Thailand protects its poultry market through the Royal Thai Government (RTG)'s use of non-transparent control import permits (potential importers are unable to get them issued), high WTO bound rates of import tariffs (currently 30 percent for chilled or frozen uncooked meat and 40 percent for cooked chicken meat), and a discriminatory import permit fee on uncooked products (10 baht/kilogram or approx. \$339/ton).

Thailand has made a request for sanitary approval to export cooked chicken to the United States. The last request was submitted in 2009. However, Thailand has not seriously pursued this endeavor and the request has now been pending for many years. Thailand submitted additional information to USDA/FSIS as requested in February 2012 and is currently under review.

Marketing:

Thai local consumers, like those in other Asian countries, prefer dark to white meat. Therefore, Thailand remains a potential market for U.S. chicken parts (especially leg-quarters), mechanically deboned meat (MDM), and value-added chicken meat. Potential buyers for chicken parts and MDM would be food processors (sausage processors in the case of MDM) and supermarkets. Value-added chicken meat can also be introduced to modern retail markets and the food service industry. Thailand could import bone-

in-leg chicken meat for processing in Thailand and re-export it to such markets as Japan and non-EU countries. However, the aforementioned non-tariff barriers would need to be resolved. The paradox is that none of the barriers exist for U.S. frozen turkey meat exports to Thailand.